

## Message Text

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ORIGIN EB-12

INFO OCT-01 AF-10 ARA-16 EA-11 EUR-25 NEA-14 RSC-01 IO-14

ISO-00 FEA-02 AGR-20 CEA-02 CIAE-00 COME-00 DODE-00

FRB-03 H-03 INR-11 INT-08 L-03 LAB-06 NSAE-00 NSC-07

PA-04 AID-05 CIEP-03 SS-20 STR-08 TAR-02 TRSE-00

USIA-15 PRS-01 SP-03 OMB-01 SWF-02 /233 R

DRAFTED BY EB/OT/GCP:DTMORRISON/EB/ITP:MGLITMAN:DI

APPROVED BY EB/ITP:MGLITMAN

AGRICULTURE:JSTARKEY

COMMERCE:GBARE

STR:AMBASSADOR MALMGREN

TREASURY:MCHAVES

EUR/RPE:JMCCARTHY

L/EB:GROSEN

AF/EPS:RDUNCAN

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FM SECSTATE WASHDC

TO USMISSION EC BRUSSELS

INFO USMISSION OECD PARIS

USMISSION GENEVA

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY THE HAGUE

AMEMBASSY BONN

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E.O. 11652: N/A

TAGS:GATT, ETRD, EC

SUBJECT:EC-ACP ASSOCIATION: HANDLING GATT ISSUES

REFS: A) EC BRUSSELS 7004; B) EC BRUSSELS 7227;

C) STATE 171057

1. REFTELS AND INFORMAL MALMGREN-GUNDELACH CONVERSATION INDICATE EC THINKING ON GATT PRESENTATION OF EC-ACP ASSOCIATION BEGINNING TO GET ALONG LINES OF WORKING PARTY APPROACH WHICH ALSO SEEMS MOST PRACTICAL APPROACH TO US. WE BELIEVE (AS DENMAN IMPLIED), HOWEVER, THAT PRIMARY RESPONSIBILITY FOR DEVELOPING ACCEPTABLE GATT APPROACH AND SELLING IT TO THIRD COUNTRIES RESTS WITH EC AND ACP'S WITH LATTER TAKING LEAD WITH LDCS. ASSUMING WE CAN ACCEPT EVOLVING EC-ACP AGREEMENT AND EC PROPOSAL FOR GATT HANDLING WE WILL, AS STATED PREVIOUSLY, SUPPORT EC-ACP EFFORTS IN GATT.

2. FROM U.S. STANDPOINT, ARTICLE XXV WAIVER WOULD BE BEST SOLUTION. HOWEVER, WE RECOGNIZE THAT EC FINDS THIS UNACCEPTABLE. GUNDELACH SAID EC WOULD NOT REQUEST A WAIVER OR REFER TO ARTICLE XXIV BUT WOULD REFER TO ACTIONS TAKEN TO ASSIST LDC'S CONSISTENT WITH THE SPIRIT OF PART IV OF GATT. WE WOULD HAVE DIFFICULTIES WITH ANY ATTEMPT TO LEGITIMATIZE EC-ACP PREFERENCES UNDER ARTICLE XXIV AND/OR SPECIFIC LEGAL REFERENCE TO PART IV, NEITHER OF WHICH LENDS ITSELF TO SUCH ARRANGEMENTS. WE

WOULD THUS SUPPORT PROCEDURAL APPROACH WHICH WOULD PROVIDE PRACTICAL SOLUTION WHILE NOT UNDERMINING IMPORTANT GATT ARTICLES.

3. CAREFULLY ORCHESTRATED APPROACH TO WORKING PARTY TREATMENT OF EC-ACP ARRANGEMENT COULD HOPEFULLY BE WORKED OUT WHICH WOULD AVOID LEGAL ISSUES BUT PERMIT SUBSEQUENT REVIEW OF THE ARRANGEMENT AND ITS PRACTICAL IMPACT ON TRADE. IN THIS CONNECTION, GUNDELACH SAID EC WOULD HOPE THAT WORKING PARTY WOULD NOT TAKE POSITION ON CONSISTENCY OF ARRANGEMENT WITH GATT. HE ALSO CAUTIONED U.S. AGAINST PUSHING TOO HARD FOR ANY SPECIFIC REVIEW PROCEDURE AT THIS TIME. NEVERTHELESS, WE INTEND MAKE POINT ON REVIEW AT LIMITED OFFICIAL USE

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APPROPRIATE TIME IF WORKING PARTY APPROACH AGREED ON.

4. OUR OBJECTIVES IN THIS AREA ARE: A) TO HELP ALONG PROCESS OF REMOVING REVERSE PREFERENCE, B) TO STEER EC THINKING AWAY FROM APPROACHES IN THIS PROCESS WHICH WE CONSIDER MOST DAMAGING TO GATT AND TO FUTURE U.S. TRADE INTERESTS AND, IN THE PROCESS, C) TO SEEK CLEAREST POSSIBLE UNDERSTANDING THAT EC WILL BE HELPFUL IN SEEKING

SOLUTIONS TO ANY SPECIFIC PROBLEMS CAUSED TO US SUPPLIERS BY SPECIAL PREFERENCES.

5. WITH REGARD POINT C, MISSION SHOULD EMPHASIZE TO EC THAT U.S. WILLINGNESS TO COOPERATE PRAGMATICALLY WITH EC ON GATT LEGAL ISSUE IS FOUNDED ON BASIS OF SATISFACTORY ASSURANCES ALREADY RECEIVED ON NON-RECIPROCITY AND GEOGRAPHIC LIMITS OF EC-ACP ASSOCIATIONS (REF. C PARA 1) AND ON PRESUMPTION THAT EC WILL ALSO TAKE PRAGMATIC APPROACH TO RESOLVING ANY SPECIFIC TRADE PROBLEMS WHICH SPECIAL PREFERENCES COULD CREATE FOR U.S. SUPPLIERS.

6. WE WOULD BE INTERESTED IN KNOWING ABOUT ANY REACTIONS EC HAS RECEIVED THUS FAR FROM THIRD COUNTRIES (DEVELOPED AND DEVELOPING) ON GATT-LEGAL ASPECTS OF ASSOCIATION. WE DO NOT BELIEVE THERE IS PRESENT NEED FOR INITIATIVES BY INFO ADDRESSEE POSTS WITH EC MEMBER STATES. KISSINGER

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## Message Attributes

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